

**TOWN OF WINDHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015**

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TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3 - 11
 BASIC FINANCIAL STATEMENTS 	
Government-wide Financial Statements	
A Statement of Net Position	12
B Statement of Activities	13
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet	14
C-2 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	15
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	18
<i>Fiduciary Funds</i>	
E-1 Statement of Net Position	19
E-2 Statement of Changes in Net Position	20
NOTES TO THE BASIC FINANCIAL STATEMENTS.....	21 - 42
 REQUIRED SUPPLEMENTARY INFORMATION 	
F Schedule of Funding Progress for Other Postemployment Benefit Plan	43
G Schedule of the Town's Proportionate Share of Net Pension Liability	44
H Schedule of Town Contributions	45
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	46
 COMBINING AND INDIVIDUAL FUND SCHEDULES 	
Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	47
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	48
3 Schedule of Changes in Unassigned Fund Balance.....	49
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	50
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	51



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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Windham
Windham, New Hampshire

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Windham, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and aggregate remaining fund information of the Town of Windham, as of December 31, 2015, the changes in financial position and the budgetary comparison for the major general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1-Q to the financial statements, in 2015 the Town changed its method of accounting for pension reporting with the adoption of Governmental Accounting Standards Board Statement No. 68 *Accounting, and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and as amended by Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to these matters.

Town of Windham
Independent Auditor's Report

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for Other Postemployment Benefit Plan, the Schedule of the Town's Proportionate Share of Net Pension Liability, and the Schedule of the Town Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Windham's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Plodzik & Sanderson
Professional Association

December 13, 2016

Town of Windham, New Hampshire **Management's Discussion and Analysis**

The following is a narrative overview and analysis of the financial activities of the Town of Windham (the Town) for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Windham's basic financial statements. The basic financial statements of the Town of Windham are comprised of three components:

1. government-wide financial statements
2. fund financial statements
3. notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the finances of the Town of Windham. These statements (Statement of Net Position and Statement of Activities) provide both short-term and long-term information about the Town's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the fiscal year even if cash has not been received or paid.

The Statement of Net Position presents information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the total reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, other non-financial factors, such as changes in the Town's property tax base, the Town's overall debt level and the condition of the Town's infrastructure and capital assets, will need to be considered to assess the overall financial health of the Town.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All of the Town's activities are categorized as Governmental Activities. The Town's basic services are reported here, including police, fire, general government, highway, sanitation, recreation and financial administration. Property taxes, state aid, motor vehicle fees, and charges for services finance these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Windham, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds: *Governmental* funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements, and include most of the basic services provided by the Town. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

Town of Windham, New Hampshire **Management's Discussion and Analysis**

These funds are reported using the *modified accrual basis of accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps the users of the Town's financial reports to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is described in a reconciliation presented with the fund financial statements.

The Town of Windham maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be the Town's only major fund. Data from the other governmental funds are combined into a single, aggregate presentation.

The Town of Windham adopts an annual appropriated budget for the major general fund and one non-major fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Fiduciary Funds: *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Town of Windham. The Town's fiduciary funds consist of private-purpose trust funds and agency funds.

Notes to the Financial Statements

The notes provide additional information that is essential to gaining a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a schedule of funding progress for the Town's Other Postemployment Benefit Plan.

This year the Town of Windham is required to implement GASB Statement No. 68 (Accounting and Financial Reporting for Pensions) which revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits.

Statement 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria.

Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

Town of Windham, New Hampshire
Management's Discussion and Analysis

The retroactive changes in the Statement of Net Position and Statement of Activities below are required under GASB 68. The impact of GASB 68 on past fiscal years net position is as follows:

	<i>12/31/2015</i>	<i>12/31/2014</i>	<i>12/31/2013</i>
Deferred Outflows	943,987.00	977,982.00	619,659.00
Net Pension Liability	(12,566,541.00)	(11,947,160.00)	(13,205,482.00)
Deferred Inflows	(648,590.00)	(1,528,649.00)	-
Net Impact on net position:	(12,271,144.00)	(12,497,827.00)	(12,585,823.00)

Due to the large impact of these changes all across the financial statements, comparisons with previous years should only be made using the restated numbers. Numbers reported in the 2015 and earlier town reports and the 2014 and earlier audits should not be compared directly with the 2015 audit report, since the earlier reports did not include the GASB 68 impact.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position totaled \$27.6 million at the end of 2015, which represents an increase of \$37 thousand, or .13%, as compared to the end of the previous year.

Statement of Net Position

The following is a summary of condensed government-wide financial data showing net position as of December 31, 2015 and December 31, 2014:

	12/31/2015	12/31/2014 <i>(Restated)</i>	% Change
Cash, receivables & other assets	23,971,919	23,881,852	0.38%
Capital assets, net	38,681,536	39,504,723	-2.08%
Total Assets	62,653,455	63,386,575	-1.16%
Deferred outflows of resources	943,987	977,982	-3.48%
Accrued liabilities & payables	19,883,451	20,302,690	-2.06%
Bonds, leases & long-term liabilities	15,500,564	15,005,038	3.30%
Total Liabilities	35,384,015	35,307,728	0.22%
Deferred inflows of resources	648,590	1,528,649	-57.57%
Net position:			
Net investment in capital assets	37,745,269	38,425,230	-1.77%
Restricted	478,855	451,170	6.14%
Unrestricted	(10,659,287)	(11,348,220)	-6.07%
Total Net Position	27,564,837	27,528,180	0.13%

Town of Windham, New Hampshire

Management's Discussion and Analysis

Total net position is presented in three categories: net investment in capital assets, restricted, and unrestricted.

The largest component of net position is the investment in capital assets (e.g. land, buildings, machinery and equipment). The figure presented (\$37.7 million) is net of any related debt incurred to acquire those assets. These assets are utilized by the Town of Windham to provide services to its residents, therefore they are not available for future spending.

A certain portion (\$479 thousand or 1.7%) of the net position is restricted in regard to how it may be used. For the Town of Windham, those restrictions include those related to the use of library funds and the balances of governmental funds that are restricted for other uses (refer to Note 16 for further details). The remaining portion (-\$10.7 million or -38.7%) of the net position is unrestricted, and is mostly due to the implementation of GASB 68 which negatively impacted net position as these balances are recognized for the first time on the town financial statements in 2015.

Statement of Activities

The following is a summary of condensed government-wide financial data of changes in net position for the years ending December 31, 2015 and December 31, 2014:

	12/31/2015	12/31/2014	% Change
Program revenues:		<i>(Restated)</i>	
Charges for services	1,212,701	1,083,074	11.97%
Operating grants and contributions	302,491	278,612	8.57%
Total program	1,515,192	1,361,686	11.27%
General revenues:			
Property & other taxes	8,078,413	8,326,565	-2.98%
Licenses & permits	3,668,544	3,530,738	3.90%
Grants & contributions	751,761	701,734	7.13%
Other general revenues	902,920	840,287	7.45%
Total general	13,401,638	13,399,324	0.02%
Total revenues	14,916,830	14,761,010	1.06%
Program expenses:			
General government	3,369,321	3,405,367	-1.06%
Public safety	6,907,177	6,990,201	-1.19%
Highways and streets	1,924,816	2,121,895	-9.29%
Health and welfare	66,688	80,506	-17.16%
Sanitation	902,920	944,900	-4.44%
Culture, recreation, conservation	1,681,864	1,652,837	1.76%
Interest	27,387	16,115	69.95%
Total expenses	14,880,173	15,211,821	-2.18%
Increase(decrease) in net position	36,657	(450,811)	108.13%
Net position, beginning (restated)	27,528,180	27,978,991	-1.61%
Net position, ending	27,564,837	27,528,180	0.13%

Town of Windham, New Hampshire **Management's Discussion and Analysis**

The Town's net position increased by \$37 thousand, or (0.1%) during 2015, as compared to a decrease of \$451 thousand, or (1.6%) in the previous year. The primary funding source for governmental activities are taxes (54.2% of all revenues) and permits (24.6% of all revenues). Total 2015 revenues of \$14.91 million were higher than 2015 expenses of \$14.88 million, representing an increase in net position of \$37 thousand. Revenue in 2015 was higher than 2014 revenue by \$156 thousand, or 1.1%. This increase was mostly driven by increases of \$130 thousand in charges for services, \$138 thousand in licenses and permits, \$63k in other general revenues and \$50 thousand in grants and contributions, offset by a \$248 thousand decrease in property and other tax revenues.

Total expenses during 2015 of \$14.9 million were lower than 2014 expenses of \$15.2 million by \$332 thousand, or (2.2%). The largest decrease was in the highway and streets category (\$197 thousand) followed by public safety (\$80 thousand), due to less funds expended on road construction projects in 2015, as well as a decrease in the budgetary needs in salary expenses for public safety departments as a result of one time lump sum payments made in 2014 as part of new union contracts.

Financial Analysis of Town of Windham Funds

Governmental Funds. At the end of 2015 and 2014, the combined fund balances for all governmental funds were as follows (details in Exhibit C-3):

	<u>2015</u>	<u>2014</u> (Restated)
General Fund	\$1,981,402	\$1,669,071
Other Governmental Funds	1,845,568	1,478,708
Total Governmental Fund Balance	<u>\$3,826,970</u>	<u>\$3,147,779</u>

As discussed in Note 1, the Town of Windham has a Fund Balance policy in accordance with the provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes the classifications used in the Town's governmental fund financial statements. In total, when comparing December 31, 2015 to December 31, 2014, the total fund balance on the Governmental Funds Balance Sheet as of December 31, 2015 of \$3.8 million was significantly higher than the \$3.1 million as of December 31, 2014. The increase in the general fund portion reflects the positive budgetary variance in the general fund discussed later in this report. The increase in total other governmental fund balances is a result of normal account activity.

Under the modified accrual basis of accounting, the fund balance reflected above for the general fund is adjusted each year for property tax revenue that is not collected within sixty days of the fiscal year-end. This amount is impacted by the timing of the issuance of the December tax bills, as the balance in uncollected taxes at the end of each year flows through this portion of the fund balance, thus causing fluctuation from year to year.

The fund balance in the other governmental funds category includes many of the Town's special revenue funds, and is detailed in Schedule 4. The fund balances in all other governmental funds of \$1.8 million increased by approximately \$367 thousand as compared to the 2014 balance. These other governmental funds are restricted for the purposes originally established at the time of appropriation. The largest single funds are the Land Purchase Conservation Fund with a fund balance of \$596 thousand (significantly larger than the previous year balance of \$309 thousand) and the Cable and Health Expendable Trust with a fund balance of \$428 thousand on December 31, 2015 (no material change from the previous year). The most significant activity within the other individual funds was an increase of \$72 thousand in public safety impact fees collected as a result of increased building activity, while most other fund balances remained similar.

Town of Windham, New Hampshire **Management's Discussion and Analysis**

In regards to the general fund, the Board of Selectmen have formalized a policy that calls for the unassigned fund balance (budgetary basis) to be maintained at \$300,000. This level represents less than 1% of the combined town, school and county revenues committed in 2015. The remainder of the unassigned fund balance in the General Fund is used to reduce the current year tax rate. The level of unassigned fund balance available to reduce the current year tax rate is summarized in the following table:

	<u>2015</u>	<u>2014</u> <i>(Restated)</i>
Total fund balance – budgetary basis	\$1,791,182	\$1,615,282
Portion designated as nonspendable	(21,187)	(18,749)
Portion designated as committed	(107,289)	(208,461)
Portion designated as assigned	(104,038)	(129,757)
Available for tax rate setting (Unassigned)	<u>\$1,558,668</u>	<u>\$1,258,315</u>

The amount of the December 31, 2014 fund balance used to reduce the 2015 tax rate was \$890 thousand, as compared to \$434 thousand used for the 2014 tax rate. After this reduction, the net unassigned fund balance as of December 31, 2015 grew to \$1.6 million due to favorable variance in budgeted expenditures and unanticipated revenues, which will be discussed later in this report.

General Fund Budgetary Highlights

As shown in the chart below, the Town of Windham stayed within its authorized General Fund budget. The final budget for revenues and other financing sources, totaling \$12.6 million, along with the use of \$890 thousand in fund balance, supported the overall budgeted expenditures of \$13.5 million. The actual revenues include the amount of unanticipated revenues received and accepted by the Board of Selectmen throughout the year and for 2015 reflect 97 thousand dollars of insurance rebates received. Also shown below, the final budgeted expenditures and transfers out of \$13.5 million, and actual expenditures of \$13.3 million, reflect encumbrances from year to year.

In comparing budget to actual amounts (inclusive of amounts encumbered to the subsequent year), the total revenues and transfers in were higher than those budgeted, while total expenditures were lower than those budgeted, resulting in a positive combined budgetary variance of \$915 thousand.

	Final Budget	Actual	Variance
	<i>(Budgetary Basis)</i>		
Revenues	\$12,495,355	\$13,556,416	\$1,061,061
Bond Proceeds	0	0	0
Transfers In	110,599	86,171	(24,428)
Expenditures	(13,415,954)	(13,217,320)	198,634
Transfers Out	(80,000)	(80,000)	-
Net	<u>(\$890,000)</u>	<u>\$345,267</u>	<u>\$1,235,267</u>

Actual revenues and transfers in were higher than the final budgeted amounts by a combined \$1,061 thousand. This was primarily due to various differences in actual amounts collected by the Town, including interest and penalties on taxes, motor vehicle and building permit fees, through the end of fiscal 2015, as compared to budgeted amounts set in the fall of 2014. These budgeted amounts were set based on both previous calendar year trends as well as preliminary collections to date through September, and the Town normally takes a conservative approach to projecting revenues for the remainder of the year. The positive variances were offset by \$144,000 in grant funds for a highway truck which were budgeted but not received in 2015 as the project was not completed by yearend. As the grant was not expended it is reflected in the capital outlay encumbrances for the following year.

Town of Windham, New Hampshire
Management's Discussion and Analysis

Actual expenditures and transfers out were less than the final budget by \$198 thousand, resulting in a positive budgetary variance. The majority of the savings was in the highways and streets category (\$333 thousand), primarily due to the timing of completion of road paving projects, offset by higher than budgeted spending in general government (\$127 thousand) and public safety (\$117 thousand) due to salary expenses associated with higher than normal overtime needs. Other budgetary savings were in the solid waste, library, and general assistance areas due to both salary savings resulting from staff turnovers as well as less budgetary needs, particularly in the general assistance area.. Offsetting the overall savings, were over expenditures in the general government, assessing, and financial administration areas, the latter two being due to need for hiring consultants while recruiting new staff for several positions.. This resulted in some departmental budgets showing a negative variance in expenditures for the year, even though the overall budget shows positive variance.

Revenues used to support the General Fund operations for the year ended December 31, 2015 totaled \$13.6 million, as compared to \$13.3 million for the previous year, or an increase of \$261 thousand, or 3%. This was primarily due to an increase in licenses and permits (\$202 thousand) and in charges for services (\$167 thousand), offset by a \$194 thousand decrease in tax collections. The increase in licenses and permits is due to an overall increase in motor vehicle registration revenue and increased building permit revenue in 2015.

The largest change in charges for services was ambulance fee revenues, which increased approximately \$72 thousand as compared to 2014 being mostly driven by an increase in rates charged for ambulance services. Also, revenues collected from solid waste activities decreased \$26 thousand due to changes in marketability of metals and recyclables. The operating transfers in for 2015 funded the conservation land loan payment, which will be discussed later in this report. The following comparison shows the breakdown of general fund revenues (from exhibit D), from a budgetary basis, by category and percentage change over the previous year:

Revenues :	2015	2014	% Change
Taxes	\$7,776,612	\$7,970,906	-2.4%
Licenses and Permits	3,668,294	3,466,555	5.8%
Intergovernmental	1,054,252	980,346	7.5%
Charges for Services	782,707	615,360	27.2%
Interest Income	14,482	5,129	182.4%
Miscellaneous	260,069	256,644	1.3%
	13,556,416	13,294,940	2.0%
Bond Proceeds		700,000	-100.0%
Operating transfers in	86,171	160,820	-46.4%
Total	\$13,642,587	\$14,155,760	-3.6%

Town of Windham, New Hampshire **Management's Discussion and Analysis**

Expenditures (including principal and interest payments on debt) and other uses totaled \$13.3 million for the year ended December 31, 2015, as compared to \$13.8 million for the previous year, or a decrease of 3.7%. Public safety represented the highest category of spending at 49% of the total spending for General Fund activities in 2015, as compared to 45% in 2014. The following comparison shows the breakdown of expenditures by category and percentage change over the previous year (inclusive of amounts encumbered to the subsequent year):

Expenditures:	2015	2014	% Change
General Government	2,799,828	2,766,282	1.2
Public Safety	6,563,871	6,247,745	5.1
Highways and Streets	836,613	1,038,982	(19.5)
Health and welfare	66,688	80,972	(17.6)
Sanitation	800,474	848,472	(5.7)
Culture, Recreation, Conservation	1,401,704	1,340,431	4.6
Capital outlay	662,363	1,404,760	(52.8)
Debt Service	85,779	1,000	8,478
	13,217,320	13,728,644	(3.7)
Operating transfers out	80,000	81,953	(2.4)
Total	13,297,320	13,810,597	(3.7)

The most significant increase in expenditures over the previous year was in the public safety area, particularly in Police where we hired a new Community Services officer and had high overtime expenses to cover staffing vacancies due to both work and non-work related injuries and illnesses.

Capital and Debt Administration

The Town of Windham considers a capital asset to be land, buildings, equipment or infrastructure (roadways and bridges) whose cost exceeds \$5,000 and has a useful life of greater than one (1) year. Capital assets are depreciated using the straight-line method over the course of their useful lives. The Town's investment in capital assets as of December 31, 2015 amounted to \$38.7 million, net of accumulated depreciation, representing a decrease of \$823 thousand over the previous year balance of \$39.5 million. The following summary shows a yearly comparison of net capital assets by category (see Note 8 in the Notes to the Basic Financial Statements for more detailed information):

	2015	2014	Change
Infrastructure	\$17,338,060	\$17,881,914	\$(543,854)
Land, land improvements, construction in progress	14,093,678	14,023,166	70,512
Buildings and improvements	4,813,708	5,043,971	(230,263)
Vehicles and equipment	2,436,090	2,555,672	(119,582)
Total capital assets, net	\$38,681,536	\$39,504,723	\$(823,187)

Infrastructure relates to the Town's roadways and bridges, and additions are recorded each year based on the cost of road improvements, as well as the value of completed subdivision roads accepted by the Town each year, offset by regular depreciation of existing infrastructure. Highlights of the other major capitalized assets recorded in 2015 include:

- The Town acquired public safety equipment including police cruisers, a fire department command vehicle and purchased a town handicapped accessible mini bus under the

Town of Windham, New Hampshire **Management's Discussion and Analysis**

General Government function. In addition, a Fire Station Diesel Exhaust System was installed in the Fire Department.

- The Town installed two boilers and a HVAC unit at the Nesmith Library.

Long-term Debt. During 2015, while the Town did receive approval to borrow up to \$344,530 towards the purchase of a new fire engine, we ultimately did not enter into any general obligation bonds due to the timing of the vehicles purchase and thus the bond not being needed until after the end of 2015. In terms of existing debt, the balance of the 2014 Campbell Farm bond was reduced by \$60 thousand to \$640 thousand.

In addition during 2015, the Town of Windham continued its leasing program by entering into new three-year vehicle/equipment leases to fund the purchase of police cruisers, a fire department command vehicle and a town van. The total amount of new financing was \$180 thousand, while \$295 thousand remains due on all capital leases as of December 31, 2015. See Note 14 in the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations.

Economic Factors

- The total assessed value on which the tax rate was computed for the 2014 fiscal year increased 7.7% over the previous year (to \$2,252,954,574 in 2015 from 2,092,047,160 in 2014) as the Town is continuing to experience new building development as well as the fact that all property values were reassessed as part of our cyclical five (5) year revaluation process.
- The total property taxes that were uncollected as of year-end, including liens and tax deeded property, amounted to \$2.3 million as of December 31, 2015, as compared to \$2.7 million as of December 31, 2014. Current year uncollected as a percentage of the total tax levy was 4.8% as of December 31, 2015, which is a decrease from prior year's 5.4%.

Several factors were taken into consideration as Town officials developed the budget for the 2015 fiscal year. Those factors include overall property tax burden from both a town and school district perspective, continuously increasing demands on municipal services and service levels, and compliance with statutory and other legal requirements. The most significant factors affecting local budgets continue to be the rising cost of employee healthcare and retirement benefits, as well as the need to maintain our existing infrastructure and equipment.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Town of Windham for all those interested in its finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to Daniel Popovici-Muller, Finance Director, at 4 North Lowell Rd, Windham, New Hampshire 03087.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 20,883,467
Investments	99,245
Accounts receivable (net)	333,575
Taxes receivable (net)	2,240,087
Intergovernmental receivable	8,784
Prepaid items	5,087
Tax deeded property, subject to resale	16,100
Restricted assets:	
Cash and cash equivalents	385,574
Capital assets:	
Land and construction in progress	13,797,129
Other capital assets, net of depreciation	24,884,407
Total assets	<u>62,653,455</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	<u>943,987</u>
LIABILITIES	
Accounts payable	190,120
Accrued interest payable	16,625
Intergovernmental payable	19,286,298
Escrow and performance deposits	390,408
Long-term liabilities:	
Due within one year	355,706
Due in more than one year	2,578,317
Net pension liability	12,566,541
Total liabilities	<u>35,384,015</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts related to pensions	<u>648,590</u>
NET POSITION	
Net investment in capital assets	37,745,269
Restricted	478,855
Unrestricted	<u>(10,659,287)</u>
Total net position	<u><u>\$ 27,564,837</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2015

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change In
	Expenses	Services	Contributions	Net Position
General government	\$ 3,369,321	\$ 283,205	\$ -	\$ (3,086,116)
Public safety	6,907,177	780,685	-	(6,126,492)
Highways and streets	1,924,816	-	302,491	(1,622,325)
Sanitation	902,920	28,064	-	(874,856)
Health	27,923	-	-	(27,923)
Welfare	38,765	1,775	-	(36,990)
Culture and recreation	1,650,641	118,972	-	(1,531,669)
Conservation	31,223	-	-	(31,223)
Interest on long-term debt	27,387	-	-	(27,387)
Total governmental activities	<u>\$ 14,880,173</u>	<u>\$ 1,212,701</u>	<u>\$ 302,491</u>	<u>(13,364,981)</u>
General revenues:				
Taxes:				
Property				7,689,898
Other				388,515
Motor vehicle permit fees				3,429,899
Licenses and other fees				238,645
Grants and contributions not restricted to specific programs				751,761
Miscellaneous				902,920
Total general revenues				<u>13,401,638</u>
Change in net position				36,657
Net position, beginning, as restated (see Note 18)				<u>27,528,180</u>
Net position, ending				<u>\$ 27,564,837</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF WINDHAM, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2015

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 19,254,483	\$ 1,628,984	\$ 20,883,467
Investments	-	99,245	99,245
Accounts receivable (net)	272,067	61,508	333,575
Taxes receivable	2,239,085	96,002	2,335,087
Intergovernmental receivable	8,784	-	8,784
Interfund receivable	392	57,246	57,638
Prepaid items	5,087	-	5,087
Tax deeded property, subject to resale	16,100	-	16,100
Restricted assets:			
Cash and cash equivalents	385,574	-	385,574
Total assets	<u>\$ 22,181,572</u>	<u>\$ 1,942,985</u>	<u>\$ 24,124,557</u>
LIABILITIES			
Accounts payable	\$ 189,097	\$ 1,023	\$ 190,120
Intergovernmental payable	19,286,298	-	19,286,298
Interfund payable	57,246	392	57,638
Escrow and performance deposits	390,408	-	390,408
Total liabilities	<u>19,923,049</u>	<u>1,415</u>	<u>19,924,464</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	277,121	-	277,121
Unavailable revenue - Land use change taxes	-	96,002	96,002
Total deferred inflows of resources	<u>277,121</u>	<u>96,002</u>	<u>373,123</u>
FUND BALANCES			
Nonspendable	21,187	340,794	361,981
Restricted	77,847	60,794	138,641
Committed	389,423	1,138,599	1,528,022
Assigned	116,398	305,381	421,779
Unassigned	1,376,547	-	1,376,547
Total fund balances	<u>1,981,402</u>	<u>1,845,568</u>	<u>3,826,970</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,181,572</u>	<u>\$ 1,942,985</u>	<u>\$ 24,124,557</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2015

Total fund balances of governmental funds (Exhibit C-1)		\$ 3,826,970
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 75,802,522	
Less accumulated depreciation	<u>(37,120,986)</u>	
		38,681,536
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (57,638)	
Payables	<u>57,638</u>	
		-
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pension	\$ 943,987	
Deferred inflows of resources related to pension	<u>(648,590)</u>	
		295,397
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - Property taxes	\$ 277,121	
Deferred inflows of resources - Land use change taxes	96,002	
Allowance for uncollectible property taxes	<u>(95,000)</u>	
		278,123
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(16,625)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$ 640,316	
Capital leases	295,951	
Compensated absences	1,375,532	
Other postemployment benefits	622,224	
Net pension liability	<u>12,566,541</u>	
		(15,500,564)
Net position of governmental activities (Exhibit A)		<u><u>\$ 27,564,837</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF WINDHAM, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2015

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 7,842,850	\$ 404,156	\$ 8,247,006
Licenses and permits	3,668,294	250	3,668,544
Intergovernmental	1,054,252	-	1,054,252
Charges for services	782,707	429,994	1,212,701
Miscellaneous	336,864	566,056	902,920
Total revenues	<u>13,684,967</u>	<u>1,400,456</u>	<u>15,085,423</u>
EXPENDITURES			
Current:			
General government	2,898,868	458,474	3,357,342
Public safety	6,744,365	327,406	7,071,771
Highways and streets	861,026	-	861,026
Sanitation	800,474	-	800,474
Health	27,923	-	27,923
Welfare	38,765	-	38,765
Culture and recreation	1,397,066	118,322	1,515,388
Conservation	-	27,723	27,723
Debt service:			
Principal	59,684	-	59,684
Interest	26,095	-	26,095
Capital outlay	785,035	15,500	800,535
Total expenditures	<u>13,639,301</u>	<u>947,425</u>	<u>14,586,726</u>
Excess of revenues over expenditures	<u>45,666</u>	<u>453,031</u>	<u>498,697</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	86,171	-	86,171
Transfers out	-	(86,171)	(86,171)
Capital lease inception	180,494	-	180,494
Total other financing sources (uses)	<u>266,665</u>	<u>(86,171)</u>	<u>180,494</u>
Net change in fund balances	312,331	366,860	679,191
Fund balances, beginning, as restated (see Note 18)	1,669,071	1,478,708	3,147,779
Fund balances, ending	<u>\$ 1,981,402</u>	<u>\$ 1,845,568</u>	<u>\$ 3,826,970</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF WINDHAM, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2015

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 679,191
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay and capital asset disposals in the current period.		
Capitalized capital outlay	\$ 1,301,868	
Depreciation expense	<u>(2,118,406)</u>	
		(816,538)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(6,649)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.		
Contributions subsequent to the measurement date	\$ 626,892	
Net pension expense	<u>(400,209)</u>	
		226,683
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (86,171)	
Transfers out	<u>86,171</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred inflows of resources relating to property taxes	\$ (66,238)	
Change in deferred inflows of resources relating to land use change taxes	<u>(102,355)</u>	
		(168,593)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Capital lease inception	\$ (180,494)	
Repayment of bond principal	59,684	
Repayment of capital leases	<u>264,036</u>	
		143,226
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (1,292)	
Decrease in compensated absences payable	31,330	
Increase in other postemployment benefits payable	<u>(50,701)</u>	
		(20,663)
Change in net position of governmental activities (Exhibit B)		<u>\$ 36,657</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,507,509	\$ 7,507,509	\$ 7,776,612	\$ 269,103
Licenses and permits	3,349,350	3,349,350	3,668,294	318,944
Intergovernmental	982,390	982,390	1,054,252	71,862
Charges for services	616,406	616,406	782,707	166,301
Miscellaneous	39,700	39,700	274,551	234,851
Total revenues	<u>12,495,355</u>	<u>12,495,355</u>	<u>13,556,416</u>	<u>1,061,061</u>
EXPENDITURES				
Current:				
General government	2,672,895	2,672,895	2,799,828	(126,933)
Public safety	6,446,445	6,446,445	6,563,871	(117,426)
Highways and streets	1,169,970	1,169,970	836,613	333,357
Sanitation	817,475	817,475	800,474	17,001
Health	34,360	34,360	27,923	6,437
Welfare	57,040	57,040	38,765	18,275
Culture and recreation	1,436,490	1,441,920	1,401,704	40,216
Conservation	5,430	-	-	-
Debt service:				
Principal	59,684	85,779	59,684	26,095
Interest	26,595	500	26,095	(25,595)
Capital outlay	1,034,100	689,570	662,363	27,207
Total expenditures	<u>13,760,484</u>	<u>13,415,954</u>	<u>13,217,320</u>	<u>198,634</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,265,129)</u>	<u>(920,599)</u>	<u>339,096</u>	<u>1,259,695</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	110,599	110,599	86,171	(24,428)
Transfers out	(80,000)	(80,000)	(80,000)	-
Bond proceeds	344,530	-	-	-
Total other financing sources (uses)	<u>375,129</u>	<u>30,599</u>	<u>6,171</u>	<u>(24,428)</u>
Net change in fund balance	<u>\$ (890,000)</u>	<u>\$ (890,000)</u>	345,267	<u>\$ 1,235,267</u>
Increase in nonspendable fund balance			(2,438)	
Increase in assigned fund balance (abatements)			(42,476)	
Unassigned fund balance, beginning, as restated (see Note 18)			1,258,315	
Unassigned fund balance, ending			<u>\$ 1,558,668</u>	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2015

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 28,014	\$ 1,092,037
LIABILITIES		
Intergovernmental payable	-	1,031,384
Due to others	-	60,653
Total liabilities	-	1,092,037
NET POSITION		
Held in trust for specific purposes	\$ 28,014	\$ -

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended December 31, 2015

	Private Purpose Trust
ADDITIONS	
Interest	\$ 3
DEDUCTIONS	
Expenses	1
Change in net position	2
Net position, beginning	28,012
Net position, ending	<u>\$ 28,014</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Government-wide and Fund Financial Statements	1-B
Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	1-C
Cash and Cash Equivalents.....	1-D
Restricted Assets.....	1-E
Investments.....	1-F
Receivables.....	1-G
Prepaid Items	1-H
Capital Assets	1-I
Deferred Outflows/Inflows of Resources	1-J
Property Taxes.....	1-K
Compensated Absences	1-L
Long-term Obligations	1-M
Claims and Judgments	1-N
Interfund Activities.....	1-O
Net Position/Fund Balance Reporting	1-P
Defined Benefit Pension Plan	1-Q
Stewardship, Compliance, and Accountability	2
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis	2-B
Change in Accounting Principle	2-C

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Restricted Cash and Investments	5
Taxes Receivable	6
Other Receivables.....	7
Capital Assets.....	8
Interfund Balances and Transfers	9
Intergovernmental Payables.....	10
Deferred Outflows/Inflows of Resources	11
Capital Leases	12
Line of Credit.....	13
Long-term Liabilities	14
Encumbrances	15
Governmental Activities Net Position.....	16
Governmental Fund Balances	17
Prior Period Adjustments.....	18
Performance Deposits	19
Health Insurance	20

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Defined Benefit Pension Plan	21
Defined Contribution Pension Plan	22
Other Postemployment Benefits (OPEB)	23
Risk Management.....	24
Contingencies.....	25
Subsequent Events.....	26

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Windham, New Hampshire (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Windham is a municipal corporation governed by an elected 5-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, deferred inflows/outflows, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Town reports the following major governmental fund:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the Town reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Fund - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

Fiduciary Funds – The Town also reports the following fiduciary funds:

Private Purpose Trust Funds – used to account for trust arrangements under which principal and income benefit individuals, private organizations, and/or other governmental units.

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Restricted Assets

Cash received for developer's performance bond deposits are classified as restricted assets on the balance sheet because their use is designated for a specific purpose and therefore not available for immediate and general use by the Town.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

1-F Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments for the Town are reported at fair value generally based on quoted market prices.

1-G Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses as the items are used.

1-I Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Infrastructure	20-50
Land improvements	12-15
Buildings and improvements	15-40
Vehicles and equipment	5-20

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

1-J Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 18, 2015, November 2, 2015, and December 7, 2015 and due on July 1, 2015, December 7, 2015, and January 11, 2016. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Windham School District, Breezy Gale Village District, Cobbetts Pond Village District, Moeckel Pond Village District, and Rockingham County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2015 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,234,031,750
For all other taxes	\$ 2,252,833,574

The tax rates and amounts assessed for the year ended December 31, 2015 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.35	\$ 7,562,874
School portion:		
State of New Hampshire	\$2.30	5,128,390
Local	\$15.02	33,826,958
County portion	\$1.05	2,370,078
District portions:		
Breezy Gale Village	\$1.05	14,117
Cobbetts Pond Village	\$0.00	-
Moeckel Pond Village	\$0.32	2,108
Total		<u>\$ 48,904,525</u>

1-L Compensated Absences

Full time employees can accumulate earned time (combined vacation, sick leave, and personal time) based on years of service but must use a minimum number of days per year. Provision is made in the annual budget for earned time. Pursuant to Town personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused earned time and, upon retirement, resignation, or death will be compensated for such amounts at current rates of pay.

The liability for such earned time is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

1-M Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the Statement of Net Position.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

1-N Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-O Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-P Net Position/Fund Balance Reporting

Government-wide Statements – Equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – This classification includes the residual fund balance for the general fund.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last. The Town’s fund balance policy requires the maintenance of a minimum level of unassigned fund balance at \$300,000 annually.

1-Q Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan’s independent auditors, require management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general fund, as well as the nonmajor Searles fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2015, \$890,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 13,642,587
Adjustment:	
Basis difference:	
Inception of capital lease	180,494
GASB Statement No. 54:	
To record revenue of the blended funds	62,313
Change in property tax revenue relating to 60-day revenue recognition	66,238
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 13,951,632</u></u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 13,297,320
Adjustment:	
Basis differences:	
Encumbrances, beginning	338,218
Encumbrances, ending	(168,851)
Inception of capital lease	180,494
GASB Statement No. 54:	
To record expenditures of the blended funds	72,120
To eliminate transfers between general and expendable trust funds	(80,000)
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 13,639,301</u></u>

2-C Change in Accounting Principle

Effective July 1, 2014, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The requirements of this Statement change the way the Town calculates and reports the costs and obligations associated with pensions. As a result of implementing GASB Statement No. 68 the Town has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of January 1, 2015 by \$12,497,827 (see Note 18). The reduction accounts for the associated net position liability, deferred inflows of resources, and deferred outflows of resources related to pensions.

Also, the Town adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement addresses and issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employer and nonemployer contributing entities.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2015, the reported amount of the Town's deposits was \$22,389,092 and the bank balance was \$22,473,245. Of the bank balance \$22,472,649 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name, and \$596 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 21,269,041
Cash per Statement of Net Position-Fiduciary Funds (Exhibit E-1)	1,120,051
Total cash and cash equivalents	<u><u>\$ 22,389,092</u></u>

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

NOTE 4 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town maintains a portfolio consisting of original common stock certificates that are reported at fair value, based on quoted market prices. As of December 31, 2015 the Town had \$99,245 invested in original common stock certificates.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in Honeywell. These investments are 94% of the Town's total investments.

NOTE 5 – RESTRICTED CASH AND CASH EQUIVALENTS

The following cash and cash equivalents are classified as restricted because of the statutory limitation place on their use as they are earmarked for a specific purpose. Restricted cash balances as of December 31, 2015 are as follows:

Cash and cash equivalents:

General fund:

Escrow and performance deposits \$ 385,574

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2015. The amount has been reduced by an allowance for an estimated uncollectible amount of \$95,000. Taxes receivable by year are as follows:

	As reported on:	
	(Exhibit A)	(Exhibit C-1)
Property:		
Levy of 2015	\$ 1,423,113	\$ 1,423,113
Unredeemed (under tax lien):		
Levy of 2014	470,817	470,817
Levy of 2013	279,950	279,950
Levies of 2012 and prior	65,205	65,205
Land use change	96,002	96,002
Less: allowance for estimated uncollectible taxes *	(95,000)	-
Net taxes receivable	<u>\$ 2,240,087</u>	<u>\$ 2,335,087</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60 day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2015, consisted of accounts (billings for police details, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Receivables as of December 31, 2015 for the Town's individual major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 337,067	\$ 61,508	\$ 398,575
Intergovernmental	8,784	-	8,784
Gross receivables	345,851	61,508	407,359
Less: allowance for uncollectibles	(65,000)	-	(65,000)
Net total receivables	<u>\$ 280,851</u>	<u>\$ 61,508</u>	<u>\$ 342,359</u>

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 13,663,933	\$ -	\$ -	\$ 13,663,933
Construction in progress	-	133,196	-	133,196
Total capital assets not being depreciated	<u>13,663,933</u>	<u>133,196</u>	<u>-</u>	<u>13,797,129</u>
Being depreciated:				
Land improvements	1,665,750	14,098	-	1,679,848
Buildings and building improvements	9,096,028	-	-	9,096,028
Vehicles and equipment	5,547,254	337,894	(229,897)	5,655,251
Infrastructure	44,757,586	816,680	-	45,574,266
Total capital assets being depreciated	<u>61,066,618</u>	<u>1,168,672</u>	<u>(229,897)</u>	<u>62,005,393</u>
Total all capital assets	<u>74,730,551</u>	<u>1,301,868</u>	<u>(229,897)</u>	<u>75,802,522</u>
Less accumulated depreciation:				
Land improvements	(1,306,517)	(76,782)	-	(1,383,299)
Buildings and building improvements	(4,052,057)	(230,263)	-	(4,282,320)
Vehicles and equipment	(2,991,582)	(450,827)	223,248	(3,219,161)
Infrastructure	(26,875,672)	(1,360,534)	-	(28,236,206)
Total accumulated depreciation	<u>(35,225,828)</u>	<u>(2,118,406)</u>	<u>223,248</u>	<u>(37,120,986)</u>
Net book value, capital assets being depreciated	<u>25,840,790</u>	<u>(949,734)</u>	<u>(6,649)</u>	<u>24,884,407</u>
Net book value, all capital assets	<u>\$ 39,504,723</u>	<u>\$ (816,538)</u>	<u>\$ (6,649)</u>	<u>\$ 38,681,536</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 38,512
Public safety	300,188
Highways and streets	1,519,412
Sanitation	97,897
Culture and recreation	162,397
Total depreciation expense	<u>\$ 2,118,406</u>

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 392
Nonmajor	General	57,246
		<u>\$ 57,638</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2015 is as follows:

	Transfers In:
	General
	Fund
Transfers out:	
Nonmajor funds	<u>\$ 86,171</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$20,317,682 at December 31, 2015 consist of the following:

General fund:	
Balance of the 2014-2015 district assessment due to Windham School District	\$ 18,955,348
Fees due to the State of New Hampshire	14,651
New Hampshire Retirement System December expenditures	299,958
Rockingham County	116
Breezy Gale Village District	14,117
Moeckel Pond Village District	2,108
Total general fund	<u>19,286,298</u>
Agency funds:	
Windham School District trust funds	704,635
Village District trust funds	13,797
Windham School District impact fees	312,952
Total agency funds	<u>1,031,384</u>
Total intergovernmental payables	<u>\$ 20,317,682</u>

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$943,987 in the governmental activities at December 31, 2015 consists of amounts related to pensions, see Note 21.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Deferred inflows of resources consist of the following:

	Governmental Activities	General Fund	Nonmajor Governmental Funds
Property taxes not collected within 60 days of the fiscal year-end	\$ -	\$ 277,121	\$ -
Land use change taxes not collected within 60 days of the fiscal year-end	-	-	96,002
Amounts related to pensions (see Note 21)	648,590	-	-
Total deferred inflows of resources	<u>\$ 648,590</u>	<u>\$ 277,121</u>	<u>\$ 96,002</u>

NOTE 12 – CAPITAL LEASES

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2015
Capital lease obligations:		
Police Sedan and Starcraft Bus	2.49%	\$ 118,844
Highway loader	2.24%	30,254
Ford Interceptors	2.47%	73,519
Ambulance	2.47%	73,334
Total capital lease obligations		<u>\$ 295,951</u>

Leased equipment under capital leases, included in capital assets, is as follows:

	Governmental Activities
Equipment:	
Police Sedan and Starcraft Bus	\$ 186,990
Highway loader	142,900
Ford Interceptors	181,182
Ambulance	208,451
Total equipment	719,523
Less: accumulated depreciation	(134,599)
Total capital leased equipment	<u>\$ 584,924</u>

The annual requirements to amortize the capital leases payable as of December 31, 2015, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2016	\$ 243,032
2017	61,650
Total requirements	304,682
Less: interest	(8,731)
Present value of remaining payments	<u>\$ 295,951</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

NOTE 13 – LINE OF CREDIT

The Town had an authorized line of credit of \$2,000,000 in anticipation of taxes at an interest rate of 1.25%. The Town did not draw on this line of credit in 2015.

NOTE 14 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2015:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Due Within One Year
General obligation bond payable	\$ 700,000	\$ -	\$ (59,684)	\$ 640,316	\$ 60,674
Capital leases	379,493	180,494	(264,036)	295,951	235,799
Compensated absences	1,406,862	30,421	(61,751)	1,375,532	59,233
Net other postemployment benefits	571,523	50,701	-	622,224	-
Total long-term liabilities	<u>\$ 3,057,878</u>	<u>\$ 261,616</u>	<u>\$ (385,471)</u>	<u>\$ 2,934,023</u>	<u>\$ 355,706</u>

The long-term bond is comprised of the following:

	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2015	Current Portion
General obligation bond payable: Campbell Farm property	2014	2024	3.9	<u>\$ 640,316</u>	<u>\$ 60,674</u>

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2015, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2016	\$ 60,674	\$ 25,106	\$ 85,780
2017	63,115	22,664	85,779
2018	65,583	20,196	85,779
2019	68,148	17,632	85,780
2020	70,771	15,008	85,779
2021-2024	312,025	31,093	343,118
Totals	<u>\$ 640,316</u>	<u>\$ 131,699</u>	<u>\$ 772,015</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit. It is the intention of management to repay the Campbell Farm property general obligation debt with revenues from the Land Purchase Conservation Fund.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2015 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 10, 2015	Fire Engine/Tanker Truck	<u>\$ 344,530</u>

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

NOTE 15 – ENCUMBRANCES

Encumbrances outstanding at December 31, 2015 are as follows:

General fund:	
General government	\$ 17,612
Highways and streets	10,000
Culture and recreation	33,950
Capital outlay	107,289
Total encumbrances	<u>\$ 168,851</u>

NOTE 16 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2015 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 38,681,536
Less:	
General obligation bond payable	(640,316)
Capital leases payable	<u>(295,951)</u>
Total net investment in capital assets	<u>37,745,269</u>
Restricted for:	
Library	77,267
Nonexpendable permanent funds	340,794
Expendable permanent funds	<u>60,794</u>
Total restricted net position	<u>478,855</u>
Unrestricted	<u>(10,659,287)</u>
Total net position	<u>\$ 27,564,837</u>

NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2015 include the following:

Nonspendable:

Major fund:

General:

Prepaid items	\$ 5,087
Tax deeded property subject to resale	<u>16,100</u>
	<u>21,187</u>

Nonmajor fund:

Permanent - principal balance

	<u>340,794</u>	\$ 361,981
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Total nonspendable fund balance

Restricted:

Major fund:

General:

Nesmith Library	\$ 77,267
Searles donation	<u>580</u>
	<u>77,847</u>

Nonmajor fund:

Permanent - income balance

	<u>60,794</u>
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Total restricted fund balance

138,641

(continued)

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Governmental fund balances continued:

Committed:		
Major fund:		
General:		
Expendable trust	\$ 282,134	
Non-lapsing appropriations	107,289	
	<u>389,423</u>	
Nonmajor funds:		
Public safety details	137,952	
Recreation revolving	26,879	
Land Purchase Conservation	596,208	
Health expendable trust	122,343	
Public safety impact fees	230,260	
Searles fund	10,899	
Fire cistern	250	
Forest maintenance	13,808	
	<u>1,138,599</u>	
Total committed fund balance		1,528,022
Assigned:		
Major fund:		
General:		
Encumbrances	\$ 61,562	
Abatements	42,476	
Public safety	12,360	
	<u>116,398</u>	
Nonmajor fund:		
Cable expendable trust	305,381	
Total assigned fund balance		421,779
Unassigned:		
Major fund:		
General		<u>1,376,547</u>
Total governmental fund balances		<u>\$ 3,826,970</u>

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2015 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund (Modified Accrual) (Exhibit C-3)	General Fund (Budgetary) (Exhibit D)
To record receivable, not reported in previous year	\$ 64,183	\$ 64,183	\$ 64,183
To record the deferred outflows of resources associated with the implementation of GASB Statements No. 68 and No. 71	977,982	-	-
To record the net pension liability associated with the implementation of GASB Statements No. 68 and No. 71	(11,947,160)	-	-
To record the deferred inflows of resources associated with the implementation of GASB Statements No. 68 and No. 71	(1,528,649)	-	-
Net position/fund balance, as previously reported	39,961,824	1,604,888	1,194,132
Net position/fund balance, as restated	<u>\$ 27,528,180</u>	<u>\$ 1,669,071</u>	<u>\$ 1,258,315</u>

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

NOTE 19 – PERFORMANCE DEPOSITS

The Town holds letters of credit and surety bonds from developers until projects have been completed to Town standards. Due to the nature of these deposits, these letters of credit and surety bonds are not included as part of the financial statements. As of December 31, 2015, the Town held performance deposits totaling \$5,534,300.

NOTE 20 – HEALTH INSURANCE

Effective January 1, 1994, the Town provided employee medical/surgical benefits through a reduced premium plan, which is a modified self-insurance plan. The Town established a health insurance expendable trust fund, under RSA 31:19a to account for and finance its periodic insurance premiums and uninsured risk (the difference between prior coverage and current coverage levels). Effective January 1, 2003, the Town began augmenting the health insurance expendable trust with the general fund operating budget to fund health insurance costs. Employees were required to co-pay between 20-25% of the monthly premium. Expenditures during 2015 were \$1,446,209 for health insurance premiums, \$102,135 for non-covered employee claims as a result of higher deductibles and \$2,794 for administrative expenses. Claims are reviewed by an outside claims administrator and then paid by the Town. At December 31, 2015 the unexpended balance of the health insurance expendable trust is \$123,366. Outstanding claims payable at December 31, 2015 totaled \$1,024.

During the fiscal year the Town received a return of surplus from the Healthtrust. Checks received totaled \$156,247. Of this, \$58,591 was returned to active and retired employees. The remaining \$97,656 is shown as insurance reimbursement revenue in the general fund.

NOTE 21 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publically available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2015, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2015 for pension and medical subsidy were as follows:

Period	Police	Fire	All Other Employees
January 1, 2015 thru June 30, 2015	25.30%	27.74%	10.77%
July 1, 2015 thru December 31, 2015	26.38%	29.16%	11.17%

The contribution requirements for the fiscal years 2013, 2014, and 2015 were \$1,040,447, \$1,225,587, and \$1,260,464, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2015 the Town reported a liability of \$12,566,541 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2015, the Town's proportion was .31721457% which was an decrease of .00107203% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Town recognized pension expense of \$891,435. At December 31, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 317,095	\$ 36,974
Differences between expected and actual experience	-	275,760
Net difference between projected and actual investment earnings on pension plan investments	-	335,856
Contributions subsequent to the measurement date	626,892	-
Total	<u>\$ 943,987</u>	<u>\$ 648,590</u>

The \$626,892 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2016	\$ (162,458)
2017	(162,458)
2018	(162,458)
2019	183,928
2020	(28,050)
Totals	<u>\$ (331,496)</u>

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2014, using the following actuarial assumptions which, accordingly apply to both 2015 and 2014 measurements:

Inflation:	3.0%
Salary increases:	3.75- 5.8% average, including inflation
Investment rate of return:	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2015 and 2014:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2015	2014
Large Cap Equities	22.50%	3.00%	3.25%
Small/Mid Cap Equities	7.50%	3.00%	3.25%
Total domestic equity	30.00%		
Int'l Equities (unhedged)	13.00%	4.00%	4.25%
Emerging Int'l Equities	7.00%	6.00%	6.75%
Total international equity	20.00%		
Core Bonds	4.50%	(0.70%)	(0.47%)
Short Duration	2.50%	(1.00%)	0.00%
Global Multi-Sector Fixed Income	11.00%	(0.28%)	0.00%
Unconstrained Fixed Income	7.00%	(0.16%)	0.00%
High-Yield Bonds	0.00%	0.00%	1.50%
Global Bonds (unhedged)	0.00%	0.00%	(1.75%)
Emerging Market Debt (external)	0.00%	0.00%	2.00%
Total fixed income	25.00%		
Private equity	5.00%	5.50%	5.75%
Private debt	5.00%	4.50%	5.00%
Real estate	10.00%	3.50%	3.25%
Opportunistic	5.00%	2.75%	2.50%
Total alternative investments	25.00%		
Total	100.00%		

Discount Rate: The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
June 30, 2015	\$ 16,542,218	\$ 12,566,541	\$ 9,177,253
June 30, 2014	\$ 15,736,354	\$ 11,947,160	\$ 8,750,408
June 30, 2013	\$ 16,930,201	\$ 13,205,482	\$ 10,075,217

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 22 – DEFINED CONTRIBUTION PENSION PLAN

The Town has a defined contribution supplemental retirement pension plan that covers full time employees except police and fire department employees. The plan was adopted on October 1, 1987. Employees are eligible for normal retirement after age 65. If a participant terminates their employment prior to the age of 65, they will be entitled to 100% of their contributions made and a percentage of the contributions made by the Town based on completed years of service.

In order to participate in the plan, an employee must contribute an amount equal to 3% of their earnings. A participant may then make voluntary contributions up to an additional 10% of their earnings. The Town contributes 5% of the participant's total earnings to the plan. Covered wages paid under this plan during 2015 were \$2,032,790 or 29.4% of total wages of \$6,912,688. Employee contributions including additional voluntary contributions, to the plan were \$95,229, or 4.7% of covered wages. Employer contributions to the plan were \$100,955 or 5.0% of covered wages.

NOTE 23 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in the preceding note, the Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents. The benefits provided in accordance with the Town's personnel policy, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Group I employees are required to reach age 60 with no minimum service to qualify for this benefit. Group II employees are eligible at age 45 with 20 years of service or at age 60 with no service requirement. Retirees pay the full cost of health insurance except the Town assumes responsibility as follows:

Years of Employment	Length of Coverage
10-15	3 months
15-20	6 months
20-25	9 months
25+	12 months

Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

Plan Description: The Plan is a single-employer defined benefit health care plan administered by the Town which provides medical insurance to eligible retirees and their beneficiaries.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2015:

Annual required contribution/OPEB cost	\$ 120,208
Contributions made (pay-as-you-go)	<u>(69,507)</u>
Increase in net OPEB obligation	50,701
Net OPEB obligation, beginning	<u>571,523</u>
Net OPEB obligation, ending	<u><u>\$ 622,224</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
December 31, 2015	\$ 120,208	\$ 69,507	57.82%	\$ 622,224
December 31, 2014	\$ 114,761	\$ 64,062	55.82%	\$ 571,523
December 31, 2013	\$ 99,836	\$ 110,815	111.00%	\$ 520,824
December 31, 2012	\$ 98,590	\$ 69,241	70.23%	\$ 466,159

As of January 1, 2015, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,669,952, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,669,952. The covered payroll (annual payroll of active employees covered by the plan) was \$5,830,498 during fiscal year 2015, and the ratio of the UAAL to the covered payroll was 28.64%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2013 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5.0% for years 2018 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2015 was 30 years.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

NOTE 24 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2015, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2015 to December 31, 2015 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Windham billed and paid for the year ended December 31, 2015 was \$178,035 for workers' compensation and \$133,063 for property/liability.

NOTE 25 – CONTINGENCIES

There are various legal claims and suits pending against the Town which arose in the normal course of the governments activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 26 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 13, 2016, the date the December 31, 2015 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended December 31, 2015

Fiscal Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
December 31, 2015	January 1, 2013	\$ -	\$ 1,669,952	\$ 1,669,952	0.00%	\$ 5,830,498	28.64%
December 31, 2014	January 1, 2013	\$ -	\$ 1,582,467	\$ 1,582,467	0.00%	\$ 4,797,510	32.99%
December 31, 2013	January 1, 2013	\$ -	\$ 1,531,735	\$ 1,531,735	0.00%	\$ 5,519,785	27.75%
December 31, 2012	January 1, 2012	\$ -	\$ 1,495,793	\$ 1,495,793	0.00%	\$ 4,688,407	31.90%
December 31, 2011	January 1, 2009	\$ -	\$ 1,421,597	\$ 1,421,597	0.00%	\$ 4,525,505	31.41%

The notes to the required supplementary information is an integral part of this schedule.

EXHIBIT G
TOWN OF WINDHAM
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2015

Fiscal Year End	Valuation Date	Town's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2015	July 1, 2015	0.31721457%	\$ 12,566,541	\$ 6,054,805	207.55%	65.47%
December 31, 2014	July 1, 2014	0.31828660%	\$ 11,947,160	\$ 5,972,552	200.03%	66.32%
December 31, 2013	July 1, 2013	0.30684318%	\$ 13,205,482	\$ 5,710,821	231.24%	59.81%

The notes to the required supplementary information is an integral part of this schedule.

EXHIBIT H
TOWN OF WINDHAM
Schedule of Town Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2015

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2015	July 1, 2015	\$ 1,064,217	\$ 1,064,217	\$ -	\$ 6,054,805	17.58%
December 31, 2014	July 1, 2014	\$ 1,032,595	\$ 1,032,595	\$ -	\$ 5,972,552	17.29%
December 31, 2013	July 1, 2013	\$ 762,954	\$ 762,954	\$ -	\$ 5,710,821	13.36%

The notes to the required supplementary information is an integral part of this schedule.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, Exhibit F represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended December 31, 2015, and the preceding four years.

All assumptions are the same as the prior valuation, including for the starting plan costs health care costs, retiree contribution rates, healthcare inflation, discount rate, decrement tables (e.g., probability of death, turnover, disability, and retirement), and other provisions as reported in the prior valuation report with issue date of March 19, 2013. The discount rate assumption is 4.0% similar to last year and the healthcare inflation assumptions reflect 9.0% beginning 2014 and decrease 0.5% per year until an ultimate trend rate of 5.0% by 2022. These are consistent with the January 1, 2012 valuation report.

Schedule of the Town's Proportionate Share of Net Pension Liability & Schedule of Town Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at December 31, 2015.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2014:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 Years beginning July 1, 2014
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	4.29% per year
Investment Rate of Return	7.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

Other Information:

Notes	Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2015

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 7,226,974	\$ 7,461,642	\$ 234,668
Timber	2,700	4,319	1,619
Boat	15,800	14,695	(1,105)
Payment in lieu of taxes	12,035	-	(12,035)
Interest and penalties on taxes	250,000	295,956	45,956
Total from taxes	7,507,509	7,776,612	269,103
Licenses, permits, and fees:			
Motor vehicle permit fees	3,155,000	3,429,899	274,899
Building permits	120,000	137,531	17,531
Other	74,350	100,864	26,514
Total from licenses, permits, and fees	3,349,350	3,668,294	318,944
Intergovernmental:			
State:			
Meals and rooms distribution	677,477	677,477	-
Highway block grant	299,913	302,491	2,578
Other	5,000	74,284	69,284
Total from intergovernmental	982,390	1,054,252	71,862
Charges for services:			
Income from departments	616,406	782,707	166,301
Miscellaneous:			
Interest on investments	8,000	14,496	6,496
Rent of property	-	3,275	3,275
Fines and forfeits	-	1,275	1,275
Insurance dividends and reimbursements	-	201,909	201,909
Other	31,700	53,596	21,896
Total from miscellaneous	39,700	274,551	234,851
Other financing sources:			
Transfers in	110,599	86,171	(24,428)
Total revenues and other financing sources	12,605,954	\$ 13,642,587	\$ 1,036,633
Unassigned fund balance used to reduce tax rate	890,000		
Total revenues, other financing sources, and use of fund balance	\$ 13,495,954		

SCHEDULE 2
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 3,080	\$ 3,122	\$ -	\$ (42)
Election and registration	-	17,300	20,475	-	(3,175)
Financial administration	4,798	892,490	918,151	3,338	(24,201)
Revaluation of property	56,484	193,280	292,078	7,674	(49,988)
Legal	-	52,400	51,658	-	742
Information technology	9,002	220,360	210,649	-	18,713
Community development	2,000	487,380	460,272	400	28,708
General government buildings	6,850	461,435	487,477	-	(19,192)
Cemeteries	8,250	41,200	39,710	6,200	3,540
Insurance, not otherwise allocated	-	286,350	343,989	-	(57,639)
Searles buildings	-	13,620	13,703	-	(83)
Other	-	4,000	28,316	-	(24,316)
Total general government	87,384	2,672,895	2,869,600	17,612	(126,933)
Public safety:					
Police	-	2,754,400	2,829,662	-	(75,262)
Fire	-	3,232,190	3,276,441	-	(44,251)
Emergency management	-	6,670	2,598	-	4,072
Dispatching	-	453,185	455,170	-	(1,985)
Total public safety	-	6,446,445	6,563,871	-	(117,426)
Highways and streets:					
Highways and streets	34,413	1,153,580	844,193	10,000	333,800
Street lighting	-	16,390	16,833	-	(443)
Total highways and streets	34,413	1,169,970	861,026	10,000	333,357
Sanitation:					
Solid waste disposal	-	817,475	800,474	-	17,001
Health:					
Health agencies	-	34,360	27,923	-	6,437
Welfare:					
Direct assistance	-	57,040	38,765	-	18,275
Culture and recreation:					
Parks and recreation	5,650	210,050	187,213	33,950	(5,463)
Library	-	1,104,150	1,065,928	-	38,222
Other	2,310	127,720	122,573	-	7,457
Total culture and recreation	7,960	1,441,920	1,375,714	33,950	40,216
Debt service:					
Principal of long-term debt	-	85,779	59,684	-	26,095
Interest on long-term debt	-	-	26,095	-	(26,095)
Interest on tax anticipation notes	-	500	-	-	500
Total debt service	-	86,279	85,779	-	500
Capital outlay	208,461	689,570	763,535	107,289	27,207
Other financing uses:					
Transfers out	-	80,000	80,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 338,218	\$ 13,495,954	\$ 13,466,687	\$ 168,851	\$ 198,634

SCHEDULE 3
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2015

Unassigned fund balance, beginning (non-GAAP budgetary basis), as restated (see Note 18)		\$ 1,258,315
Changes:		
Unassigned fund balance used to reduce 2015 tax rate		(890,000)
2015 Budget summary:		
Revenue surplus (Schedule 1)	\$ 1,036,633	
Unexpended balance of appropriations (Schedule 2)	198,634	
2015 Budget surplus		1,235,267
Increase in nonspendable fund balance		(2,438)
Increase in assigned fund balance (abatements)		(42,476)
Unassigned fund balance, ending (non-GAAP budgetary basis)		1,558,668
Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:		
To record deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(277,121)
To remove the allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		95,000
Unassigned fund balance, ending GAAP basis (Exhibit C-1)		\$ 1,376,547

SCHEDULE 4
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2015

	Special Revenue Funds			
	Public Safety Detail	Recreation Revolving	Police Forfeiture	Land Purchase Conservation
ASSETS				
Cash and cash equivalents	\$ 76,444	\$ 26,879	\$ -	\$ 583,954
Investments	-	-	-	-
Accounts receivable	61,508	-	-	-
Taxes receivable	-	-	-	96,002
Interfund receivable	-	-	-	12,254
Total assets	<u>\$ 137,952</u>	<u>\$ 26,879</u>	<u>\$ -</u>	<u>\$ 692,210</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Land use change taxes	-	-	-	96,002
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	137,952	26,879	-	596,208
Assigned	-	-	-	-
Total fund balances	<u>137,952</u>	<u>26,879</u>	<u>-</u>	<u>596,208</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 137,952</u>	<u>\$ 26,879</u>	<u>\$ -</u>	<u>\$ 692,210</u>

Special Revenue Funds						
Cable and Health Expendable Trusts	Public Safety Impact Fees	Searles Fund	Fire Cistern	Forest Maintenance	Permanent Fund	Total
\$ 383,755	\$ 230,260	\$ 10,899	\$ 250	\$ 13,808	\$ 302,735	\$ 1,628,984
-	-	-	-	-	99,245	99,245
-	-	-	-	-	-	61,508
-	-	-	-	-	-	96,002
44,992	-	-	-	-	-	57,246
<u>\$ 428,747</u>	<u>\$ 230,260</u>	<u>\$ 10,899</u>	<u>\$ 250</u>	<u>\$ 13,808</u>	<u>\$ 401,980</u>	<u>\$ 1,942,985</u>
 \$ 1,023	 \$ -	 \$ -	 \$ -	 \$ -	 \$ -	 \$ 1,023
-	-	-	-	-	392	392
<u>1,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>392</u>	<u>1,415</u>
 -	 -	 -	 -	 -	 -	 96,002
-	-	-	-	-	340,794	340,794
-	-	-	-	-	60,794	60,794
122,343	230,260	10,899	250	13,808	-	1,138,599
305,381	-	-	-	-	-	305,381
<u>427,724</u>	<u>230,260</u>	<u>10,899</u>	<u>250</u>	<u>13,808</u>	<u>401,588</u>	<u>1,845,568</u>
 <u>\$ 428,747</u>	 <u>\$ 230,260</u>	 <u>\$ 10,899</u>	 <u>\$ 250</u>	 <u>\$ 13,808</u>	 <u>\$ 401,980</u>	 <u>\$ 1,942,985</u>

SCHEDULE 5
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2015

	Special Revenue Funds			
	Public Safety Detail	Recreation Revolving	Police Forfeiture	Land Purchase Conservation
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 404,156
Licenses and permits	-	-	-	-
Charges for services	316,329	113,665	-	-
Miscellaneous	204	29	302	543
Total revenues	<u>316,533</u>	<u>113,694</u>	<u>302</u>	<u>404,699</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	322,512	-	2,549	-
Culture and recreation	-	118,322	-	-
Conservation	-	-	-	27,723
Capital outlay	-	-	-	3,500
Total expenditures	<u>322,512</u>	<u>118,322</u>	<u>2,549</u>	<u>31,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,979)</u>	<u>(4,628)</u>	<u>(2,247)</u>	<u>373,476</u>
OTHER FINANCING USES				
Transfers out	-	-	-	(85,779)
Net change in fund balances	(5,979)	(4,628)	(2,247)	287,697
Fund balances, beginning	143,931	31,507	2,247	308,511
Fund balances, ending	<u>\$ 137,952</u>	<u>\$ 26,879</u>	<u>\$ -</u>	<u>\$ 596,208</u>

Special Revenue Funds						
Cable and Health Expendable Trusts	Public Safety Impact Fees	Searles Fund	Fire Cistern	Forest Maintenance	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 404,156
-	-	-	250	-	-	250
-	-	-	-	-	-	429,994
438,195	74,624	26,310	-	13,808	12,041	566,056
438,195	74,624	26,310	250	13,808	12,041	1,400,456
439,756	-	18,000	-	-	718	458,474
-	2,345	-	-	-	-	327,406
-	-	-	-	-	-	118,322
-	-	-	-	-	-	27,723
-	-	12,000	-	-	-	15,500
439,756	2,345	30,000	-	-	718	947,425
(1,561)	72,279	(3,690)	250	13,808	11,323	453,031
-	-	-	-	-	(392)	(86,171)
(1,561)	72,279	(3,690)	250	13,808	10,931	366,860
429,285	157,981	14,589	-	-	390,657	1,478,708
\$ 427,724	\$ 230,260	\$ 10,899	\$ 250	\$ 13,808	\$ 401,588	\$ 1,845,568